B. The Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities should be supported by a trial balance and necessary schedules. While the trial balance and schedules do not have to be submitted to the Medicaid Agency, they must be available for audit within the State of Delaware by the Medicaid Agency or its designated representative for the period of five years after the date of filing the Statement of Reimbursement Cost with the Medicaid Agency.

C. The trial balance used to prepare the Statement of Reimbursement Cost should be easily referenced to the books of original entry maintained by the facility. Under no circumstances should the trial balance be prepared based upon information contained in other cost reporting documents (i.e., Medicare Cost Reporting).

D. Those facilities that allocate Home Office expenses to each facility should have adequate substantiation for such allocations. Also, all necessary information to verify the allocations must be available for audit within the State of Delaware by the Medicaid Agency or its designated representative.

IV AUDITS

A. A desk review and analysis of each Statement of Reimbursement Cost of Skilled and Intermediate Care Nursing Facility Title XIX will be completed within six months after its submission to the Medicaid Agency. Incomplete and/or inaccurate statements will not be accepted and cost reports will be returned for correction and completion.

B. Overpayment identified and documented as a result of field audits or other findings of unallowable costs as defined in HCFA Pub. 15-1 by the Medicaid Agency will be recovered. Overpayment can be recovered for five years after submission of this cost report.

V QUESTIONS

A. Any questions relating to the preparation of this report or the instructions herewith should be directed to:

Nursing Home Coordinator
Medicaid/Biggs Building
P.O. Box 906
New Castle, Delaware 19720

Phone: (302) 421-6134

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SPECIFIC INSTRUCTIONS

PAGE 2 & 3 TRIAL BALANCE OF COSTS

General

Column A should be prepared from either a financial statement worksheet/trial balance or a tax return worksheet/trial balance. The worksheet/trial balance should be prepared from the books of original entry. The worksheet/trial balance should be available for audit by the Medicaid Agency for a period of five years from the date the statement was filed with the Medicaid Agency.

Column B, Medicaid Cost Adjustments, should be detailed on Page 4 and fully explained on Page 5. These are the adjustments necessary to bring the costs in Column A in accordance with the Medicaid regulations.

Column C, Adjusted Medicaid Costs, represents the costs allowable for Medicaid reimbursement purposes. The amounts in the column are arrived at by adding or subtracting Column B to/from Column A.

Column D, Cost Per Day, will be calculated taking the total patient days calculated on page 6, line 5E (they must be at least 90% of total available days, 75% for new facilities) and dividing that number into the subtotals in Column C for lines 5, 14, 22, 32, and 40.

Line 1-5 Primary Patient Care Costs

This cost center encompasses all expense items which are involved in the provision of basic medical care for nursing home patients.

Line 1 Nursing Staff Salaries

This includes gross salaries and wages for RNs, LPNs, and Aides. Also includes fees paid for contract nursing services.

Line 2 Nursing Staff Benefits

This includes payroll taxes (employer's portion of FICA and State and Federal unemployment taxes), medical and group life insurance, workers compensation insurance premiums, and deferred benefit plans.

Line 3 Nursing Staff Training

This includes costs, including associated travel expense, of sending nursing staff to educational seminars and workshops; education for nursing staff at academic or technical institutions to do undergraduate or graduate work; and, in-house orientation and training seminars.

Line 4 Other

Includes all other costs associated with nursing staff providing basic medical care for nursing home patients. This would include a finders fee paid to an employment agency to locate and hire nursing staff.

SPECIFIC INSTRUCTIONS
(continued)

Line 5 Subtotal

This represents the total for the costs on Lines 1 through 4.

Lines 6 - 14 SECONDARY PATIENT CARE COSTS

This cost center encompasses all other patient care costs which directly effect patient health status and quality of care.

Line 6 Clinical Consultants

Clinical consultants would include contract costs for consultants related to patient care.

Line 7 Social Services

This area includes trained and/or degreed social workers and psychologists for counseling purposes.

Line 8 Employee Benefits

Includes benefits for staff salaries included in this secondary patient care cost category. Employee benefits include payroll taxes, medical and group life insurance, workers compensation insurance premiums, and deferred benefit plans.

Line 9 Raw Food

Includes raw food purchased for meals served to patients.

Line 10 Medical Supplies

This includes all medical related supplies such as underpads, catheters, bedpans, powders, lotions, bandages, etc.

Line 11 Pharmacy (non Rx)

Includes nonprescription patient drugs and medicines which are not chargeable to patients. A reasonable pharmacist consulting fee may be included as a pharmacy cost.

Line 12 Other

Includes other patient care costs, other than those related to nursing staff, which affect patient health status and quality of patient care.

Line 14 Subtotal

This represents the total of costs for Lines 6 through 13.

SPECIFIC INSTRUCTIONS
(continued)

Lines 15 - 22 SUPPORT SERVICE COSTS

This cost center includes costs for departments that provide supportive services for homes other than medical care.

Line 15 Dietary

Includes those costs related to maintaining and operating the dining facilities. For example: salaries for cooks and dietitians, cooking and feeding supplies, and kitchen and cafeteria maintenance.

Line 16 Operation and Maintenance of Facility

Includes all costs necessary to operate the physical facility. Examples are: groundskeepers' salaries, contract services for ordinary maintenance and repairs to the facility, miscellaneous maintenance supplies, all utilities, etc.

Line 17 Housekeeping

Includes all costs to maintain the patient areas. Examples are: janitorial and maid salaries, cleaning supplies and contract cleaning services.

Line 18 Laundry and Linen

Includes all costs for laundry and linen services. Examples are: laundry room staff salaries, laundry supplies, and contract laundry and linen services.

Line 19 Patient Recreation

Includes costs that relate to recreational or non-therapy restorative activities such as arts and crafts.

Line 20 Employee Benefits

Includes benefits for those staff with salaries and wages included in the support service costs category. Employee benefits include payroll taxes, medical and group life insurance, workers compensation and insurance premiums, and deferred benefits plans.

Line 21 Other

Includes other costs for facility supportive services other than medical care.

Line 22 Subtotal

This represents the total of costs for Lines 15 through 22.

Lines 23 - 32 ADMINISTRATIVE AND ROUTINE COSTS

This category includes costs that are not patient related and have no direct impact on quality of care.

Line 23 Owner/Executive Director Salary

Includes salary for the owner or the individual at the facility with primary management and oversight responsibilities.

Line 24 Medical and Nursing Directors' Salaries

Includes salaries for medical and nursing directors whose primary work responsibilities are administrative. If the director is also involved in providing patient care, a reasonable allocation may be made between medical and nursing director salaries (Line 25) and nursing staff salaries (Line 1).

Line 25 Other Administrative Salaries

Includes all other staff salaries not previously included on Lines 1, 6, 7, 15, 16, 17, 18, 19, 23 and 24. Examples are: administrative and secretarial support staff, accountants and bookkeepers, etc.

Line 26 Employee Benefits

Includes benefits for those staff with salaries in the administrative and routine cost category. Employee benefits include payroll taxes, medical and group life insurance, workers compensation insurance premiums, and deferred benefit plans.

Line 27 Medical Records

Includes the costs of maintaining the medical records of the facility.

Line 28 Training

Includes education and training and related costs for staff other than nursing staff.

Line 29 Interest - Working Capital

Includes interest charges incurred during the period for loans not secured by property, plant and equipment.

Line 30 Home Office - Administrative

Includes home office charges to the facility that relate to administrative and routine costs.

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Line 31 Other

Includes those costs that cannot be directly assignable to any other cost category. Examples are: public relations costs, dues and subscriptions, travel and entertainment, telephone, miscellaneous office supplies, postage, legal and accounting, administrative contract services, bad debts, penalties, contributions, interest and miscellaneous taxes and licenses.

Any non-allowable items should be properly adjusted out of the total costs on Page 4 and explained on Page 5

Line 32 Subtotal

Represents the total of costs for Lines 23 through 31.

Lines 33 - 39 CAPITAL COSTS

This category includes costs related to the purchase and lease of property, plant and equipment.

Line 33 Lease costs

Includes rent expense for building, equipment and furniture and fixtures.

Line 34 Interest - Mortgage

Includes all interest charges incurred during the period for loans secured by property, plant and equipment.

Line 35 Property taxes

Includes real estate and personal property taxes on property, plant and equipment.

Line 36 Depreciation

Includes depreciation on all depreciable real property, including building and improvements, and all depreciable assets other than real property.

Straight line depreciation must be used for Medicaid cost purposes for all assets acquired after July 1970, unless written approval for using an accelerated method is granted. For an explanation for when an accelerated method will be approved, see Provider Reimbursement Manual (HCFA, Pub. 15) Part 1, Section 116.

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In determining the estimated useful life of an asset, the facility should consider the expected useful life of the asset and not necessarily the inherent useful or physical life. A facility may use the useful life guidelines published by the American Hospital Association (1973 Edition of the Chart of Accounts for Hospitals for assets acquired before 1/1/82 and the 1978 Edition of the Estimated Useful Lives of Depreciable Hospital Assets for assets acquired after 12/31/81). The asset depreciation range system and the accelerated cost recovery systems may not be used to estimate useful lives. If the facility uses a significantly different life than the one in the guidelines, it must be supported by convincing reasons and adequate documentation and authorized by the Medicaid Agency prior to implementation.

All adjustments necessary to bring book depreciation into accordance with the Medicaid guidelines should be entered in Column B and supported and explained on Pages 4 and 5.

Line 37 Home Office - Capital

This includes lease costs, mortgage interest, property taxes, and depreciation charged to the facility by the home office.

Medicaid requirements relating to interest and depreciation also apply to that incurred by the home office and passed on to the facility. Adjustments for related party interest and depreciation should be made on page four and explained on page five.

Line 38 Other

Includes other costs related to the acquisition of property, plant and equipment.

Line 39 Subtotal

Represents the total of costs for Lines 33 through 38.

Line 40 Subtotal

Represents the total of costs for Lines 1 through 39.

Lines 41 - 49 ANCILLARY

Ancillary costs are those costs for which a separate charge is customarily made in addition to routine care costs.

For private facilities, these costs are for information only. Private facilities will be reimbursed for ancillaries via another method, not through the cost report.

SPECIFIC INSTRUCTIONS
(continued)

Line 49 Subtotal

Represents total of costs for Lines 41 through 48.

Lines 50 - 52 OTHER COSTS - NON-REIMBURSABLE

Line 50 Gift, Beauty Shop, Etc.

Includes other costs not covered under Lines 1 through 48. These would include costs for facility-maintained services, not related to patient care such as gift and beauty shops.

Line 51 Utilization Review

Includes costs incurred by the facility related to the performance of a utilization review period. This would include costs paid to utilization review committee, PRO, a peer review group or a public agency.

Line 52 Subtotal

Represents total of costs for Lines 50 through 52.

Line 53 TOTAL COSTS

Represents total of all costs for Lines 1 through 52.

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PAGE 5 ADJUSTMENTS TO COSTS

All costs entered in Column A on pages 2 and 3 must be adjusted to bring them into accordance with Medicaid Reimbursement Principles. As stated earlier, Delaware follows the Medicare principles of allowable costs.

All adjustments should be made on page 4. An explanation of all adjustments should follow on page 5 and should be referenced to page 4 accordingly. There are two types of adjustments - Cost Adjustments and Revenue Adjustments.

A cost adjustment is to increase or decrease the amount of total cost in Column A on page 2 and 3 for additional allowable cost or non-allowable cost. Example: A facility has a $10,000 asset which is being depreciated over 5 years using the accelerated cost recovery system for book purposes. However, this asset has a 10 year life for Medicaid purposes and must be depreciated on a straight-line basis. Assume the asset was bought the first day of the cost reporting year. Depreciation each year is as follows:

Year	Book	Medicaid	Adjustment For Medicaid
1	1,500	1,000	- 500
2	2,200	1,000	- 1,200
3	2,100	1,000	- 1,100
4	2,100	1,000	- 1,100
5	2,100	1,000	- 1,100
6	-	1,000	+ 1,000
7	-	1,000	+ 1,000
8	-	1,000	+ 1,000
9	-	1,000	+ 1,000
10	-	1,000	+ 1,000

For the first 5 years, the facility will have a decrease cost adjustment. However, for the last 5 years, the facility will increase its allowable costs by $1,000 each year.

A revenue adjustment is used to offset revenue received against the allowable costs of each facility. Example: the facility rents space for a beauty salon to an outside beautician. Rent is $1,000 per month. The $12,000 received for a cost reporting period would be offset against otherwise allowable lease costs in the Capital Category.

The description and examples below of the various adjustments are for illustrative purposes only. They are not all inclusive. For further reference, see applicable section of Provider Reimbursement Manual (HCFA Pub. 15-1).

SPECIFIC INSTRUCTIONS
(continued)

PAGE 5 ADJUSTMENTS TO COSTS (continued)

Adj. #1 ADVERTISING

Generally, the cost to a facility of advertising is a non-allowable cost for Medicaid Reimbursement purposes. Such non-allowable advertising costs include: fund raising advertisements, advertising for the purpose of selling stock and advertising to the general public in order to increase utilization of the facility. Some examples of allowable advertising costs include: advertising for recruitment of personnel related to patient care, advertising for procurement of goods related to patient care and yellow page listings, if common practice in the area.

Adj. #2 BAD DEBT EXPENSE

Bad debts, charity and courtesy allowances are deductions from revenue and are not to be included in allowable costs. Bad debts are amounts considered to be uncollectible accounts and notes receivable which were created or acquired in providing services. Charity allowances are reductions in charges made by a provider because of indigence or medical indigence of the patient. Courtesy allowances are reductions in charges by a provider in the form of an allowance to physicians, clergy, etc. for services received from a provider.

Adj. #3 CAFETERIA GUEST MEALS

All revenues received by a facility for meals served other than to patients should offset the dietary costs of the facility.

Adj. #4 CONTRIBUTIONS

Contributions made by the provider are not related to patient care and thus are non-allowable costs.

Adj. #5 DEPRECIATION

Must be adjusted for any assets which are depreciated on a basis other than straight line, or if the life is substantially different than the Medicaid prescribed life.

Adj. #6 FUND RAISING EXPENSES

Are non-allowable costs for Medicaid reimbursement and must be removed from allowable costs. However, unrestricted gifts, grants and income from endowments do not offset allowable costs. Any gifts, grants or endowment income designated by a donor for paying specific operating costs should be deducted from the particular operating cost category.

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